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UNCLAS SECTION 01 OF 02 ROME 001957

SIPDIS

AIDAC

FROM U.S. MISSION IN ROME

SENSITIVE

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STATE FOR U/S LARSON, A/S PRM DEWEY, IO A/S HOLMES, EUR/WE,
IO/EDA SWINNICK, E FOR CPENCE
USDA/FAS FOR U/S PENN, MCHAMBLISS AND RTILSWORTH
USAID FOR ADMINISTRATOR NATSIOS AND JBRAUSE, AA/DCHA WINTER,
D/DCHA/OFDA BMCCONNELL, D/DCHA/FFP LANDIS
USUN FOR AMBASSADOR NEGROPONTE AND MLUTZ
GENEVA FOR RMA
BRUSSELS FOR USEU
NSC FOR JDWORKEN

E.O. 12958: N/A

TAGS: [EAID](#) [AORC](#) [PREF](#) [EAGR](#) [AORC](#) [PREF](#) [EAGR](#) [EU](#) [WFP](#) [UN](#) [EU](#) [EAID](#) [WFP](#) [UN](#)

SUBJECT: "TWINNING" - WORLD FOOD PROGRAM UPDATE

REF: (A) ROME 00007

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SUMMARY

1. (SBU) AS A FOLLOW UP TO REF A, US MISSION RECENTLY DISCUSSED WITH WFP'S JOHN POWELL THE LATEST THINKING RELATED TO "TWINNING" EFFORTS AIMED AT EXPANDING WORLD FOOD PROGRAM'S FUNDING BASE. TWINNING INVOLVES THE ESTABLISHMENT OF A MECHANISM/STRATEGY TO MATCH NON-TRADITIONAL DONORS OF FOOD AID COMMODITIES WITH EITHER TRADITIONAL OR PREFERABLY NON-TRADITIONAL DONORS OF CASH FOR THE DELIVERY OF HUMANITARIAN ASSISTANCE IN FOOD EMERGENCIES. WFP HAS SEEN
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ITS EMERGENCY PORTFOLIO (INCLUDING IRAQ) FOR 2003 EXPAND FROM USD 2 BILLION (2002 LEVEL) TO USD 4 BILLION. POWELL ASSURED THAT WFP IS VIGOROUSLY PURSUING TWINNING - AND IS HOPEFUL OF AN EVIAN G8 ENDORSEMENT OF THE CONCEPT. END SUMMARY.

WFP'S "ROLLING" EVOLUTION OF A TWINNING STRATEGY

2. (SBU) JOHN POWELL WALKED US MISSION STAFF THROUGH WFP'S EVOLVING TWINNING STRATEGY AS FOLLOWS:

A) DONORS TO THE UNITED NATIONS WORLD FOOD PROGRAM (WFP) PRESENTLY MAKE THEIR CONTRIBUTIONS IN THE FORM OF FOOD COMMODITIES, SERVICES (SUCH AS SHIPPING AND TRANSPORT) AND CASH, ALL OF WHICH ARE NECESSARY TO MOVE FOOD FROM A DONOR TO SPECIFIC BENEFICIARIES. CASH IS THE MOST FLEXIBLE.

DONORS OF COMMODITIES ARE ASKED TO PROVIDE THE CASH NEEDED TO MEET THE COSTS ASSOCIATED WITH THEIR CONTRIBUTION. THESE INVOLVE THE TRANSPORT, HANDLING AND STORAGE COSTS OF MOVING THE FOOD FROM THE DONOR COUNTRY TO THE BENEFICIARIES, WHO MAY BE LOCATED IN A LANDLOCKED COUNTRY IN ANOTHER CONTINENT. DONORS ARE ALSO ASKED TO PAY A PRO RATA SHARE OF THE OTHER OPERATIONAL AND SUPPORT COSTS ASSOCIATED WITH THE SET UP AND MANAGEMENT OF THE OPERATION SUCH AS MONITORING THE DISTRIBUTION OF THE FOOD TO MAKE SURE THAT IT ACTUALLY REACHES THOSE FOR WHOM IT WAS INTENDED.

B) MOST DONORS TO WFP ARE COUNTRIES; AND ALL MAJOR DONORS
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ARE MEMBERS OF THE OECD. SOME DEVELOPING COUNTRIES ARE EMERGING AS DONORS. THESE EMERGING DONORS ARE WILLING TO PROVIDE THE FOOD COMMODITIES BUT ARE UNABLE TO PROVIDE THE ASSOCIATED CASH. INDIA, FOR INSTANCE, DONATED ONE MILLION TONS OF WHEAT TO AFGHANISTAN. BUT IT REQUIRES MORE THAN USD 200 MILLION TO DELIVER THAT AMOUNT OF COMMODITIES TO BENEFICIARIES IN AFGHANISTAN. AND INDIA SIMPLY DOES NOT HAVE THE CASH. OTHER POTENTIAL DONORS INCLUDE REPUBLIC OF SOUTH AFRICA, PAKISTAN, CHINA, THAILAND, VIET NAM, BRAZIL AND THE UKRAINE, TO NAME A FEW. THERE ARE IMMENSE POSSIBILITIES - IF A MECHANISM CAN BE FOUND TO ENABLE PROSPECTIVE DONORS TO GIVE WHAT THEY HAVE, WHICH IS FOOD.

C) THE CONCEPT OF TWINNING IS TO ESTABLISH A FINANCIAL

FACILITY THROUGH WHICH CASH COULD BE MATCHED WITH THE
COMMODITY CONTRIBUTIONS OF EMERGING DONORS THEREBY
LEVERAGING SUBSTANTIAL ADDITIONAL QUANTITIES OF FOOD. THE
LEVERAGE RATIO IS OFTEN HIGH. FOR EXAMPLE, A CASH DONATION
OF USD 2 MILLION WOULD LEVERAGE 20,000 TONS OF RICE FROM
INDIA TO SUPPORT VICTIMS OF THE CONFLICT IN SRI LANKA TO

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ACTION SSO-00

INFO LOG-00 AID-00 ANHR-00 EUR-00 E-00 UTED-00 TEDE-00
IO-00 NSCE-00 OIC-02 SS-00 TEST-00 PRM-00 SAS-00
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P 071321Z MAY 03
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 9708
USDA FAS WASHDC PRIORITY 2662
INFO EU MEMBER STATES COLLECTIVE
AMEMBASSY KUWAIT
AMEMBASSY NEW DELHI
AMEMBASSY BANGKOK
AMEMBASSY MOSCOW
AMEMBASSY PRETORIA
AMEMBASSY COLOMBO
USEU BRUSSELS 3209
USMISSION GENEVA
USMISSION USUN NEW YORK

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SUBJECT: "TWINNING" - WORLD FOOD PROGRAM UPDATE

MAKE THE TRANSITION TO PEACE. THIS TRANSACTION WOULD
OTHERWISE COST AROUND USD 6 MILLION. TWINNING IS THEREFORE
A MECHANISM THAT CAN BRING DEVELOPING COUNTRIES INTO THE
DONOR COMMUNITY IN A VERY SIGNIFICANT WAY. TWINNING WOULD
ENABLE DEVELOPING COUNTRIES TO BECOME SUBSTANTIAL
STAKEHOLDERS IN THE FINANCING OF HUMANITARIAN OPERATIONS
ACROSS THE WORLD, A BURDEN HITHERTO BORNE MAINLY BY OECD
COUNTRIES. FINALLY, THIS MECHANISM WOULD BE USED TO DIRECT
FOOD ASSISTANCE TO SPECIFIC CATEGORIES OF PEOPLE, MAINLY
VICTIMS OF MAN-MADE OR NATURAL DISASTER. THESE ARE PEOPLE
WITHOUT THE MEANS TO HELP THEMSELVES. AS A CONSEQUENCE,
TRANSACTIONS OF THIS KIND WOULD NOT BE TRADE DISTORTING.

D) THE PROPOSAL IS TO ESTABLISH A SPECIAL FUND WITHIN WFP
NAMED "THE G-8 FUND FOR EMERGING DONORS". THE FUND WOULD BE
FINANCED BY G-8 MEMBERS BUT NON-G-8 MEMBERS WOULD BE INVITED
TO CONTRIBUTE. THE FUND COULD BE ESTABLISHED AT SAY, USD 500
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MILLION, WHICH IS EQUIVALENT TO ABOUT ONE QUARTER OF WFP'S
EXPENDITURE IN 2002. (NOTE. IT WOULD ALSO BE POSSIBLE TO
CONSIDER THE ESTABLISHMENT OF AN ENDOWMENT FUND. AN
ENDOWMENT WOULD INVOLVE MUCH LARGER INITIAL CONTRIBUTIONS,
ESPECIALLY IN THE CURRENT POOR INVESTMENT CLIMATE. IT WOULD,
HOWEVER, REDUCE THE NEED FOR REGULAR REPLENISHMENT. END
NOTE.) THE FUND WOULD BE SEPARATELY MANAGED AND ACCOUNTED
FOR BY WFP; AND IT WOULD BE SUBJECT TO AUDIT ACCORDING TO
WFP'S FINANCIAL REGULATIONS.

E) THE PROPOSAL MAKES SOUND FINANCIAL SENSE; AND IT AVOIDS
SETTING UP COSTLY NEW ADMINISTRATIVE STRUCTURES AND
ARRANGEMENTS. WFP'S OVERHEAD COSTS ARE 7 PERCENT. MOST
IMPORTANTLY, IT WOULD INCREASE THE NUMBER OF DONORS BEARING
THE EXTRA-ORDINARY COSTS OF DEALING WITH THE EXPLOSION OF
HUMANITARIAN CRISES THAT NEED UNPRECEDENTED AMOUNTS OF FOOD

AID. AS THE UN'S FOOD AID AGENCY, WFP IS ABLE TO ACHIEVE ECONOMIES OF SCALE IN ITS OPERATIONS WORLD-WIDE, THEREBY KEEPING COSTS LOW; AND IT HAS THE EXPERIENCE TO MANAGE TWINNING ARRANGEMENTS WITH EMERGING DONORS. END OF JOHN POWELL'S PRESENTATION.

COMMENT

13. (SBU) WFP HAS SEEN ITS EMERGENCY PORTFOLIO (INCLUDING IRAQ) FOR 2003 EXPAND FROM USD 2 BILLION (2002 LEVEL) TO USD 4 BILLION. AS A RULE, DONOR BUDGETS RARELY GROW EXPONENTIALLY. INDIA (WHICH OFFERED ONE MILLION TONS OF WHEAT FOR AFGHANISTAN IN OCTOBER 2001, HAS NOW OFFERED
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(APRIL) 50,000 MTS OF WHEAT FOR IRAQ, AND ANNOUNCED THAT IT WOULD ARRANGE (PAY) ALL OCEAN SHIPPING CHARGES TO WFP DESIGNATED PORTS IN THE REGION. BUT THE GOI CONCEDES THAT IT DOES NOT HAVE THE ADDITIONAL CASH TO PAY IN-COUNTRY TRANSPORT, SHIPPING AND HANDLING NOR WFP'S SUPPORT COSTS. JOHN POWELL IS HOPEFUL THAT A G8 ENDORSEMENT OF THE TWINNING CONCEPT/STRATEGY AT THE EVIAN SUMMIT WILL MOVE THESE KINDS OF OFFERS ALONG TO FRUITION. HALL

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